25X1A

[redacted]

May 29, 1968

25X1A

[redacted]

The following figures confirm those quoted to [redacted] by phone for the single premium cost of an annuity of $1,000 per year (payable monthly) to a male age 60, male age 60 with 55% of the annuity to continue to his wife age 56, or to a female age 60 at various rates of interest and the usual Projected Annuity Mortality Table without loading as follows:

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	3%	3-1/2%	4%
Male @ 60	$13,308	$12,724	$12,182
Male @ 60/55% to Wife Age 56	16,186	15,336	14,557
Female @ 60	15,370	14,595	13,884

25X1A

With respect to the general question discussed with Dorothy [redacted] as to what interest basis is appropriate in the light of the trend upward, the following figures are pertinent:

	Monthly Annuity Purchases Per $1,000					
	Projected Mortality and					
Male Age	3%	3-1/2%	Aetna	Metropolitan	Prudential	Travelers
55	$5.42	$5.71	$5.88	$5.88	$5.74	$5.82
60	6.26	6.55	6.67	6.62	6.42	6.59
65	7.46	7.75	7.74	7.60	7.34	7.53
70	9.18	9.47	9.14	8.92	8.63	8.93

From these figures it appears that at the older ages the 3% rates are still in line, being more favorable than at least one of the four insurance companies at ages 65 and 70, but at the younger ages the 3-1/2% rates are more in line. On the basis of this comparison, it may be desirable to consider changing to the 3-1/2% basis since many of the cases on which we quote are in the younger age category.

Sincerely yours,

[redacted] 25X1A

Actuary

WWF:ah

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25X1A

Remarks: Per your request, attached to Emmett's deferred compensation concept:

We had to broaden the inquiry since life expectancy for males and females is different and the cost of supplemental annuities would be different depending on whether the insured purchased survivorship benefits.

Attached is [redacted] summary of the various figures needed. I hope this helps.

25X1A

FOLD HERE TO RETURN TO SENDER

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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:	EXTENSION	NO.
[redacted] 7 D 01 HQS		25X1A
		DATE 29 May 1968

TO: (Officer designation, room number, and building)	DATE RECEIVED	DATE FORWARDED	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
1. Deputy Director of Personnel for Special Programs				
2. 5 E 47 HQS				
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FORM 3-62 610 USE PREVIOUS EDITIONS SECRET CONFIDENTIAL INTERNAL USE ONLY UNCLASSIFIED

20 May 1968

Ben -

25X1A This is at the moment a very closely-held piece of paper originated by [redacted] and so far only distributed to OGC, ExDir, and DDS.

25X1A [redacted] said that his 10% was based on a guess of what an additional 1¼ to 1½% increase in the annuity multiplier would be---feeling that it had to be less than the 3.75% that CIA retirees get.

He asked if you could find out from CSC or perhaps one of "your" insurance companies, first, what is the current life expectancy of an individual who is age 60, and second what would be the cost per $1000 to buy a supplemental annuity for an individual from age 60 to his life expectancy date.

Will you let me know if you have questions?

Bertha

SECRET - EYES ONLY

SUBJECT: Deferred Compensation for Employees in the Civil Service Retirement System in Consideration of Agency Imposed Limitation on Career Span

PREMISES

The CIA acknowledges that its policy to require the retirement at age 60 of employees in the Civil Service Retirement System represents a financial hardship in that it deprives the employee of the option to receive additional years of compensation and additional credit in the computation of his annuity.

The CIA retirement policy is necessitated solely by the special nature of the mission of the Agency. Success in this mission requires exceptional flexibility in the selection, development, and utilization of personnel. To achieve such flexibility requires that the career span of career employees be a managed factor in the Agency personnel staffing program.

Financial recompense to employees is warranted and has not been provided in the basic compensation plan of the Agency. Failure to provide such recompense would reflect adversely on the reputation of the Agency and impair its competitive position in the employment market.

It is not feasible to provide such recompense to employees throughout their careers by adjustment of the basic Agency compensation plan since it cannot be predetermined that all or which employees will serve a full career with the Agency.

PROPOSAL

Every employee under the Civil Service Retirement System will at age 5$\overset{5}{8}$ receive a 10% increase in his basic compensation until he attains age 60. Such supplementary compensation is subject to retirement contributions and is taxable income when received.

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Payment of the supplementary compensation shall be made upon retirement and the sum payable shall be reduced by 10% of the current salary for each biweekly pay period the employee may continue in service in excess of 6 biweekly pay periods after attaining age 60. The accrual of supplementary compensation shall cease at the end of the pay period during which age 60 is attained.

Supplementary compensation accruing to employees shall be invested in U.S. Government securities and the interest thereon shall be paid to the employee upon retirement proportionate to the supplementary compensation payable to each individual.

DISCUSSION

There is no doubt that the Agency age 60 retirement policy as applied to employees under the Civil Service Retirement System deprives the individual of the options afforded other comparable Federal Employees to continue in service until age 70. Official reports of the Civil Service Retirement System reflect that most employees optionally retire about age 65.

Agency employees for the most part will be unable to obtain post-retirement employment that will provide them with unimpaired expendable income. Further, their annuities, excepting for the few who might transfer at age 60 to other Government agencies without a break in service, will inevitably be smaller.

The fact of financial loss cannot be questioned. The amount of loss any individual will suffer is not predeterminable or predictable.

No provision has been made in the Agency compensation plan for a limitation on the career span of employees. The Agency compensation plan is comparable to the General Schedule for Federal employees and the principles of the Classification Act are optionally adherred to by the Agency. It is, therefore, proper that supplementary compensation be paid to those employees adversely affected by the retirement age policy.

LEGAL BASIS

The Director of Central Intelligence has the legal authority to expend appropriated funds notwithstanding any other provisions of law for purposes necessary to carry out Agency functions including personal services. (CIA

Act of 1949 as amended, Section 8). NOTE: This authority of the Director appears to have been reaffirmed and amplified in the Government Employees Salary Reform Act of 1964, Title III, Section 308, which reads:

> "Nothing contained in this section (which limits compensation to the highest rate of the General Schedule of the Classification Act of 1949 as amended) shall be construed to impair the authorities provided in the Central Intelligence Act of 1949 as amended."

This sentence has been interpreted by the CIA General Counsel as reaffirming the independent nature of the CIA authority under Public Law 81-110 (The CIA Act of 1949) to establish basic compensation rates.

SPECIAL COMMENT

Optionally, the rate of supplementary compensation could be set at other percentages or could be spread over a greater or lesser number of years. There would be two advantages to adjusting the formula to spread the accrual period over a greater number of years. The principal advantage would be to increase the period during which interest would be accruing. This additional interest could be used to either reduce the cost of the program to the Agency or to increase the total recompense to employees.

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